Section

C WISCONSIN EARNINGS AND HOURS DATA

EARNINGS AND HOURS *(Unadjusted)* OCTOBER	Average Hourly Earnings Including O.T.			Average Hourly Earnings Excluding O.T.		
	Latest Month	Mo. Ago	Yr. Ago	Latest Month	Mo. Ago	Yr. Ago
All Manufacturing (Incl. Canning)	10.28	10.28	10.27	9.84	9.83	9.88
All Manufacturing (Excl. Canning)	10.39	10.48	10.38	9.96	10.01	9.98
Durable Goods	10.46	10.55	10.57	10.08	10.41	10.21
Lumber/Wood Prod. (Exc. Furn.)	8.44	8.51	7.59	8.08	8.10	7.46
Furniture and Fixtures	7.99	8.12	7.78	7.75	7.74	7.47
Stone, Clay and Glass Products	9.65	10.18	9.60	9.23	9.83	9.30
Primary Metal Industries	10.00	10.03	9.89	9.56	9.52	9.49
Iron and Steel Foundries	9.71	9.97	9.88	9.34	9.47	9.56
Fabricated Metal Products	10.21	10.17	10.15	9.80	9.76	9.78
Fab. Structural Metal Prod.	10.25	10.35	10.08	9.81	9.89	9.58
Metal Stampings	10.96	10.80	10.14	10.51	10.42	9.90
Machinery (Except Electrical)	11.56	11.53	11.61	11.14	11.12	11.31
Engines and Turbines	12.78	12.69	12.68	12.22	12.18	12.35
Farm Machinery and Equip.	12.85	12.81	12.92	12.36	12.31	12.46
Const. and Related Mach.	10.85	10.88	11.48	10.56	10.56	11.25
Metalworking Mach. and Equip.	12.12	12.14	12.38	11.68	11.69	11.92
Spec. Ind. Mach. (Exc. Metal).	11.63	11.79	11.61	11.16	11.24	10.98
Gen. Industrial Mach. and Equip.	11.86	11.80	12.17	11.52	11.48	11.88
Electrical Mach., Equip. and Supp.	9.93	10.10	10.04	9.72	9.79	9.75
Electrical Industrial Apparatus	10.51	10.75	10.55	-	10.60	10.28
Transportation Equipment	13.21	13.44	13.94	12.57	12.82	13.25
Instruments and Related Prod.	8.76	8.73	8.84	8.57	8.53	8.75
Nondurable Goods	10.00	9.87	9.81	9.48	9.35	9.34
Food and Kindred Products	9.08	8.67	9.14	8.58	8.21	8.71
Meat Products	8.79	8.75	8.99	8.50	8.41	8.63
Dairy Products	9.75	9.88	9.65	9.13	9.23	9.21
Textile Mill Products	7.49	7.89	7.17	7.12	7.50	6.96
Apparel and Other Fin. Prod.	6.41	6.26	6.22	6.22	6.03	6.07
Paper and Allied Products	12.29	12.29	11.93	11.70	11.69	11.31
Pulp and Paper Mills	13.09	13.05	12.65	12.52	12.46	12.03
Printing, Pub. and Allied Prod.	11.03	11.37	10.67	-	-	-
Chemicals and Allied Products	11.32	11.43	10.95	11.06	11.15	10.65
Rubber and Misc. Plastics Prod.	8.17	8.24	8.22	7.88	7.89	7.97
Leather and Leather Products.	6.64	6.64	6.37	6.48	6.47	6.19

Section

C SUMMARY OF RECENT WISCONSIN DATA

EARNINGS AND HOURS, MFG. Production Workers *(Unadjusted)* OCTOBER	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings Including O.T.			Average Hourly Earnings Excluding O.T.	
	Latest Month	Month Ago	Year Ago	Latest Month	Month Ago	Year Ago	Latest Month	Month Ago	Year Ago	Latest Month	Month Ago
United States	$396	$399	$390	40.7	41.0	40.8	9.73	9.73	9.56	-	-
Wisconsin	425	427	422	41.3	41.5	41.1	10.28	10.28	10.27	9.84	9.83
Selected Areas											
Appleton-Oshkosh (Calumet-Winnebago-Outagamie)	433	440	436	42.0	42.4	43.2	10.30	10.38	10.10	9.84	9.87
Beloit (City)	411	422	393	40.1	40.9	42.1	10.26	10.32	9.34	-	-
Eau Claire (Eau Claire-Chippewa)	421	430	431	40.3	40.8	42.0	10.45	10.53	10.26	10.22	10.23
Fond du Lac (County)	389	404	390	41.3	43.9	40.2	9.42	9.20	9.70	8.86	8.56
Green Bay (Brown County)	470	460	473	42.4	42.0	42.8	11.09	10.95	11.04	10.47	10.37
Janesville (City)	528	562	620	42.5	41.9	43.9	12.43	13.41	14.13	11.71	12.87
Janesville-Beloit (Rock County)	473	508	530	41.9	41.5	43.0	11.29	12.24	12.33	10.43	11.61
Kenosha (County)	459	446	470	40.4	40.7	39.3	11.35	10.96	11.97	10.90	10.36
La Crosse (County)	357	359	354	39.5	39.5	39.5	9.04	9.08	8.95	8.65	8.72
Madison (Dane County)	407	401	393	41.6	41.4	40.7	9.79	9.69	9.65	9.34	9.22
Manitowoc (County)	370	357	352	39.9	38.5	39.0	9.28	9.28	9.02	8.95	9.01
Milwaukee (Milwaukee-Ozaukee-Waukesha-Washington)	476	478	469	41.1	41.0	40.8	11.59	11.65	11.50	11.05	11.07
Racine (County)	427	438	425	39.5	40.6	40.1	10.80	10.80	10.61	10.55	10.53
Sheboygan (County)	386	392	372	41.2	41.4	39.8	9.38	9.48	9.34	9.07	9.08
Wausau (Marathon County)	413	423	407	42.8	43.3	41.6	9.65	9.78	9.78	9.28	9.35

EMPLOYMENT, MFG. *(Unadjusted)* OCTOBER	(In Thousands)			Percent Change	
	Latest Month	Month Ago	Year Ago	Month Ago	Year Ago
United States	19,245.0	19,297.0	19,355.0	-0.3	-0.6
Wisconsin	519.2	527.4	519.6	-1.6	-0.1
Selected Areas					
Appleton-Oshkosh (Calumet-Winnebago-Outagamie)	49.9	50.5	49.9	-1.2	0.0
Beloit (City)	4.5	4.5	5.4	0.0	-16.7
Eau Claire (Eau Claire-Chippewa)	10.1	10.0	9.5	1.0	6.3
Fond du Lac (County)	10.8	10.9	9.9	-0.9	9.1
Green Bay (Brown County)	24.2	24.9	24.3	-2.8	-0.4
Janesville (City)	7.7	11.0	10.9	-30.0	-29.4
Janesville-Beloit (Rock County)	14.2	17.4	18.3	-18.4	-22.4
Kenosha (County)	11.3	9.8	12.2	15.3	-7.4
La Crosse (County)	10.6	10.6	11.0	0.0	-3.6
Madison (Dane County)	21.8	21.8	21.5	0.0	1.4
Manitowoc (County)	12.1	12.7	11.4	-4.7	6.1
Milwaukee (Milwaukee-Ozaukee-Waukesha-Washington)	170.9	170.8	169.9	0.1	-0.6
Racine (County)	23.3	23.1	24.2	0.9	-3.7
Sheboygan (County)	18.7	18.6	18.4	0.5	1.6
Wausau (Marathon County)	11.2	11.3	11.1	-0.9	0.9

WISCONSIN'S ECONOMIC OUTLOOK

by David H. Peterson and Gene Schubert

Department of Revenue

The major factors which are expected to influence the direction of the economy in the two years are a slowing of consumer demands balanced by a slowly improving foreign trade outlook. Other sectors of the economy--business investment and government spending--are expected to be relatively weak over the near-term.

If the following events were to occur, they would be viewed as potential warning signs which should be monitored carefully: (1) Greater-than-expected consumer retrenchment associated with either continued high-debt burdens or responses to the tax reform package recently passed; (2) No improvement in the U.S. balance of trade because of a weak response to exports to a more competitive dollar; and (3) General credit stringency on the part of the Federal Reserve in response to perceived inflationary pressures or international liquidity conditions.

Of course, the chances of a better outlook are also present. This could be realized by a genuine export boom with continued growth in consumer outlays in the 3.0 percent to 4.0 percent range and a further drop in oil prices. But given the anti- inflationary concerns of the Federal Reserve, monetary policy would probably be tightened if real growth exceeded 3.0 percent for an extended period.

For the past two years, consumption has risen more than disposable income and has resulted in lower than normal savings rates. This fact alone would suggest that consumers will want to realign their spending patterns in the future. Recent events--automobile financing incentives and the passage of the federal tax reform package- have had the effect of pushing forward some of next year's spending, especially for higher priced consumer durables. Consequently real consumer spending in 1987 is expected to grow by 2.2 percent, somewhat less than the 3.5 percent and 3.9 percent rates of growth experienced during 1985 and 1986.

Real business fixed investment is expected to decline both this year and next. Current weakness is apparent in nonresidential construction as the market adjusts to high vacancy rates. Tax reform is expected to further depress construction activity next year. Some large increases in producers' durable equipment are expected in the last half of this year, but this bulge in capital spending will very likely represent "buy-in-advance" behavior; tax reform and special auto loan rates have led to an acceleration of spending into the third and fourth quarters of 1986 at the expense of early next year. Real business fixed investment is expected to decline by 0.7 percent this year and by 1.6 percent in 1987.

There will likely be a modest recovery in business capital spending in 1988 in response to increased profits, but the longer term effects of tax reform on corporate finances is likely to be detrimental to capital spending plans. Growth in real business fixed investment is expected to be 4.9 percent in 1988.

Federal government spending is expected to be an area of weakness in the economy in the forecast period. The fiscal 1987 federal government budget is one with considerable spending restraint. Nominal spending is budgeted to increase by only 0.8 percent. Although the current forecast assumes spending will actually increase 2.7 percent, this still represents a budget with no growth in real spending. With a growing economy, and a windfall gain in revenues from tax reform, the deficit for fiscal 1987 should decline to $177 billion deficit from $220 billion in fiscal 1986.

The deficit picture for fiscal 1988 and beyond is less bright. Attainment of the Gramm-Rudman targets for 1988 and beyond will be extremely difficult. Nonetheless, the pressure for spending restraint will remain. Real federal government spending is forecast to decline by 0.4 percent in fiscal 1988 and the deficit is projected to fall to $161 billion.

Compared with a year ago, total merchandise exports are 7.7 percent higher in volume and 3.8 percent lower in price; total value is thus up 3.7 percent. While the most recent months of trade data are a slender reed upon which to build a forecast, the decline of the dollar over the past year and recent efforts by Japan and Germany to lower their interest rates to stimulate their

economies are key factors which point to a gradual turn-around in the U.S. trade situation. The current forecast calls for double-digit real export growth to continue throughout all of 1987, resulting in real exports 11.2 percent higher in 1987, followed by a growth rate of 10.2 percent in 1988.

Import growth should slow appreciably, stemming from the slower growth in U.S. consumer and business spending and the gradually increasing price disadvantage of imports due to the fall of the dollar. The reduction in the U.S. merchandise trade balance is forecast to be slow, however; moving from a deficit to $147 billion this year to a deficit of $121 billion by 1989.

Price and wage increased over the next two years are likely to remain modest with some upward pressure coming from the decline of the dollar and expected import price adjustments. Recent inflationary fears appear to stem from rising precious metal prices and the appearance of short-term harmony among OPEC producers to shore up oil prices. These are special factors which are not likely to have a fundamental impact on the basic trend of prices. As for oil, even if the current world glut could be worked off quickly, OPEC producers will have so much excess capacity relative to world oil demand that price increases cannot be justified solely on economic fundamentals. Political instability in the Persian Gulf region is the highest risk factor for oil prices, but a forecast of oil prices in the $17-20 per barrel range is prudent for the next three years.

A much more important factor in the assessment of inflation for the next three years is the declining value of the dollar. After falling 17.0 percent in 1986, the current forecast assumes that the dollar will continue to fall by 5-10 percent in each of the next three years. Since non-oil imports now capture 23.0 percent of domestic spending on consumer and producer goods, the weaker dollar will have a strong impact on inflation. Prices of imported goods will rise more rapidly than the prices of domestically produced goods. The pickup in inflation will continue to be restrained by wage gains, which have continually slowed, and are expected to remain very modest over the next three years.

Inflation in the consumer sector is expected to be 3.5 percent in 1987, rising to 4.5 percent in 1988. Average hourly earnings for non-farm workers are expected to show modest gains of 2.3 percent in 1987 and 3.3 percent in 1988.

The Federal Reserve is assumed to postpone another discount rate cut until early next year. Short-term interest rates should thus remain stable for the next few months before continuing to ease slightly again next year.

Wisconsin Outlook

The current forecast for the Wisconsin economy is for continued slow but steady growth in both employment and income. The Wisconsin forecast closely mirrors the U.S. forecast with most of the job growth occurring in the trade and service sectors, and wage rate increases constrained by low inflation historically high unemployment, and continuing foreign competition. These factors produce a forecast of growth rates in personal income which are modest, reflecting the disinflationary trend of recent years.

Wisconsin employment is forecast to grow steadily through the forecast period at rates between 1.4 percent and 1.9 percent, which is consistent with the rate experienced over the last two years. The composition of employment growth is also expected to follow recent patterns with the majority of new jobs being created in the trade and service sectors. Employment growth in manufacturing is expected to be weak but somewhat above the even weaker U.S. average. Construction employment is forecast to decline in 1987. Government employment, which will be under increasing budget cutting pressure, is also expected to decline.

Wisconsin manufacturing employment is forecast to benefit from the decline in the dollar, but only modestly. The expansion of employment in motor vehicle manufacturing in early 1987 is expected to offset near term weakness in the durable goods sector. Subsequently, growth in exports is expected to provide sufficient growth in output to stimulate employment increases through the middle of 1988. Nondurable manufacturing employment is expected to grow about 1.5 percent annually through the forecast period, with above average growth forecast for the paper and printing and publishing industries.

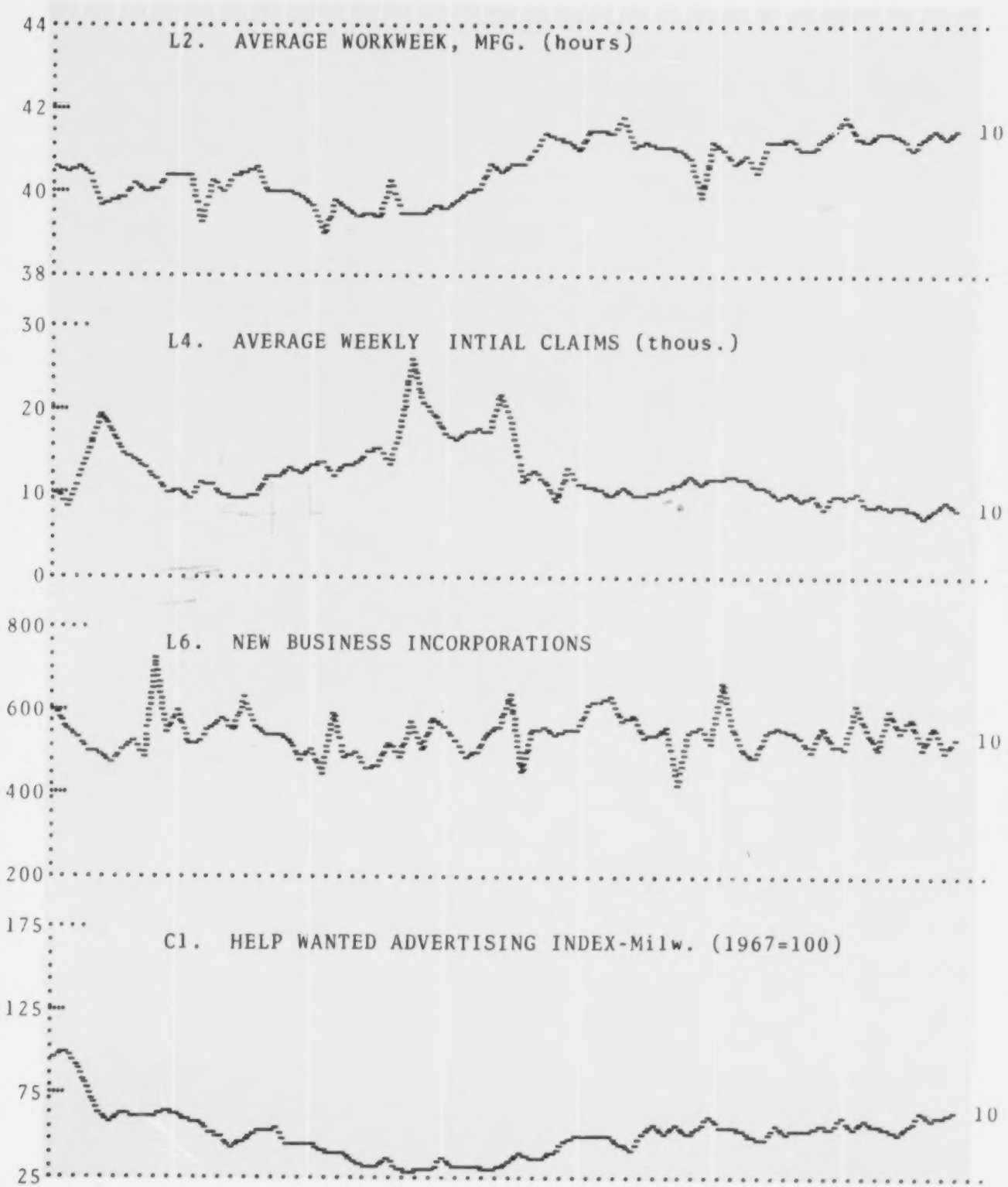
(continued on back cover)

WISCONSIN EMPLOYMENT FORECAST
(Thousands of Workers, Annual Average)

	1985	1986	1987	1988	1989
MANUFACTURING	514.9	516.6	518.6	525.5	528.2
DURABLES	315.5	314.9	315.9	319.0	318.6
LUMBER PRODUCTS	22.6	23.5	23.0	22.9	22.7
STONE, CLAY, GLASS	7.8	8.0	7.7	7.7	7.8
PRIMARY METALS	19.3	18.9	18.8	19.1	19.0
FABRICATED METALS	51.4	51.8	51.6	52.5	52.7
NON-ELECT. MACHINERY	100.1	100.2	98.6	99.4	99.8
ELECTRICAL MACHINERY	50.2	49.5	49.8	51.0	51.8
TRANS. EQUIPMENT	32.8	31.5	34.7	34.3	32.6
OTHER DURABLES	31.4	31.6	31.7	32.0	32.2
NONDURABLES	199.4	201.7	202.7	206.5	209.7
FOOD PRODUCTS	62.5	61.7	61.1	61.2	61.3
PAPER PRODUCTS	48.1	48.9	49.9	50.8	51.2
PRINTING & PUBLISHING	38.2	39.0	39.9	41.9	43.4
CHEMICALS	10.0	9.9	10.4	10.8	11.2
RUBBER & PLASTICS	22.6	24.6	24.6	24.7	25.4
OTHER NONDURABLES	18.1	17.6	16.9	17.1	17.2
MINING	2.2	2.5	2.4	2.1	1.9
CONSTRUCTION	62.8	64.8	62.8	62.9	62.9
TRANS., COMM., UTILITIES	93.7	94.7	95.3	96.9	97.8
FINANCE, INSUR., REAL EST.	104.2	107.8	110.9	113.7	117.3
TRADE	462.5	471.6	482.2	492.4	501.2
SERVICES	415.2	427.7	443.3	462.6	484.5
GOVERNMENT	322.2	327.2	325.9	324.4	323.5
TOTAL EMPLOYMENT (Nonfarm)	1977.5	2012.8	2041.4	2080.4	2117.4

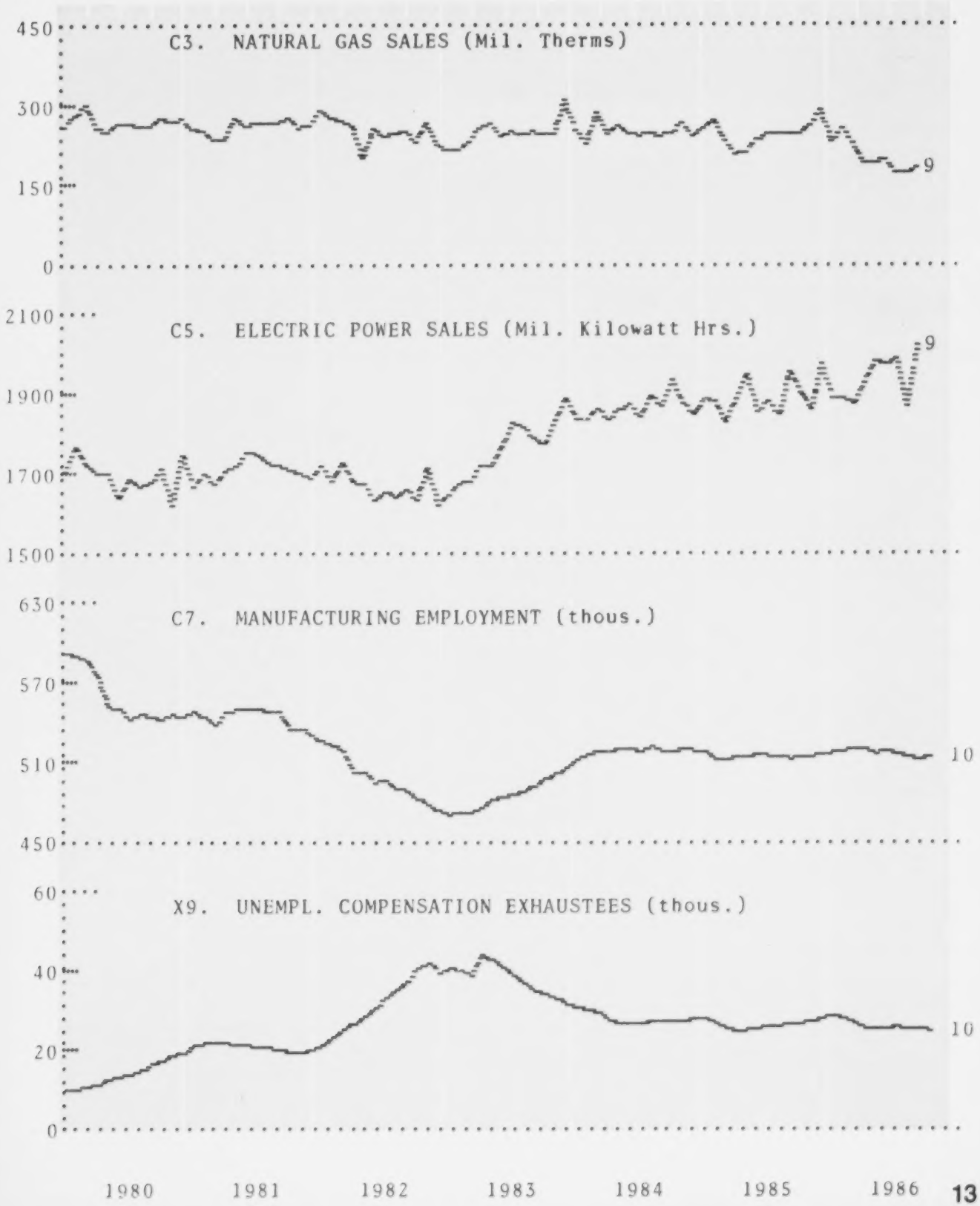
Section

D CYCLICAL INDICATORS



Section

D CYCLICAL INDICATORS



Department of Industry,
Labor and Human Relations

FIRST CLASS MAIL

201 E. Washington Ave.
P.O. Box 7944
Madison, WI 53707

OFFICIAL BUSINESS
PENALTY FOR PRIVATE
USE, $300.

000890E
CONGRESSIONAL INFO. SERVICE
SRI
4520 EAST/WEST HIGHWAY
BETHESDA, MD 20814

Postage and Fees Paid
U.S. Department of Labor
Lab 449

FIRST CLASS MAIL

CHANGE OF ADDRESS ☐ NEW ADDITION ☐ -Please Print or Type New Address

NAME OF BUSINESS _____

ATTENTION _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP CODE _____

DISCONTINUE SERVICE ☐ I DO NOT WISH TO CONTINUE RECEIVING THIS PUBLICATION.

DETACH THIS BACK PAGE, MAKE SURE THE MAILING LABEL LOCATED AT THE TOP OF THIS PAGE IS INCLUDED AND RETURN TO: WISCONSIN EMPLOYMENT AND ECONOMIC INDICATORS, BOX 7944, MADISON, WI., 53707

(continued from page 10)

Given the modest growth in employment and relatively low inflation, personal income is forecast to grow slowly. Wage rate increases in the low inflation environment, with continuing pressure from foreign competitors, are expected to be in the 3.0 percent range. This, combined with employment increases in the 1.4 percent to 1.9 percent range, would produce wage gains of about 5.0 percent annually. Most other sources of income are also expected to grow at about 5.0 percent. One exception is farm income which is expected to stagnate at current levels.

The overall pattern, therefore, shows nominal personal income growing at about 5.0 percent during the forecast period. This is a relatively low rate of growth, viewed in the context of the last 15 years. The major explanatory factor is low inflation. Real income is expected to grow at about 1.0 percent annually in the 1987 to 1989 period. Real growth in 1986 is estimated at 2.0 percent. The higher rate in 1986 is almost entirely attributable to the decline in oil prices.